Performance Management in the Midmarket

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David Hatch, Max Gladstone

Executive Summary

Executives and line-of-business management in mid-sized businesses are increasingly feeling pressure to access, review, analyze and act upon events and information in order to become more agile as they work to meet day-to-day operations and financial performance goals. This report reveals the strategies, tactics and technology investments that Best-in-Class mid-sized companies are taking, in comparison to small and large organizations, to improve performance management capabilities.

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

Best-in-Class Performance

Aberdeen used three key performance criteria to distinguish Best-in-Class companies from all others. Analysis of the research findings reveals that top performers are achieving the following performance gains:

- 89% forecast-to-plan ratio in the most recently completed fiscal period
- Current customer satisfaction rate of 93%
- 35% improvement in year-over-year revenue performance

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- Performance is measured against corporate and departmental goals
- A formal process for identifying operational performance metrics is currently in place
- Performance data is made visible to line-of-business management and decision makers

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Incorporate performance management and KPIs into the company culture to establish a performance-driven business
- Monitor the use of KPIs internally and externally among competitors, industry associations, and peers
- Enhance the use of performance management tools through the establishment of role-based incentives driven by KPI achievement
- Invest in the ability to collect, clean and integrate data that is necessary to calculate and deliver KPI-based data

"We are extremely focused on driving more 'intangible' value (not price vs. cost) to our clients... Our goal is to compete for a greater share of a shrinking market and we are enjoying success there."

~ SVP of Operations, Midmarket Telecommunications Company

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Benchmarking the Best-in-Class

Business Context

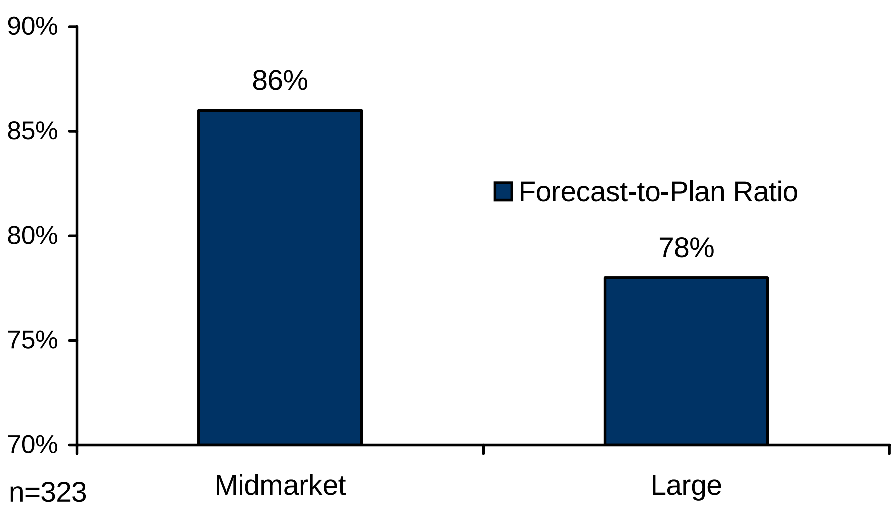
Executives and line-of-business management in mid-sized businesses (defined in this report as "midmarket companies" that achieve annual revenue of US$50 million to $1Billion) are increasingly feeling pressure to access, review, analyze and act upon events and information in order to become more agile as they work to meet day-to-day operational and financial performance goals. Research conducted by Aberdeen Group 14 months ago (for the August 2008 report, *Operational KPIs and Performance Management*) revealed that companies of all sizes are struggling to manage operational performance during uncertain economic times. This report, based on responses from over 330 organizations, reveals the strategies, tactics and technology investments that Best-in-Class mid-sized companies, in comparison to small and large companies, are taking to improve performance management capabilities.

Performance management is a discipline that allows companies to align business activity with corporate objectives. This requires gathering, tracking, analyzing and acting upon information and data that can change multiple times throughout the business day or week, a set of capabilities that large enterprises have been exercising for some time, and smaller companies are increasingly adopting. During the year-long economic downturn, Aberdeen Group has collected information from companies of all sizes to determine the degree to which performance has changed over time. Findings from this study reveal that smaller, more agile companies have been more successful at achieving higher forecast-to-plan ratios. Meanwhile, larger companies that experience a higher degree of organizational inertia have suffered (Figure 1).

Fast Facts

- √ **51**% of Best-in-Class companies site the need to improve timeliness of business decisions as a top pressure, as opposed to 42% of all others
- √ Best-in-Class companies achieved a forecast-to-plan ratio of **89**% during their most recent fiscal period - while Laggards do not measure their forecast-to-plan ratio, and the Industry Average reported a forecast-to-plan ratio of 58%

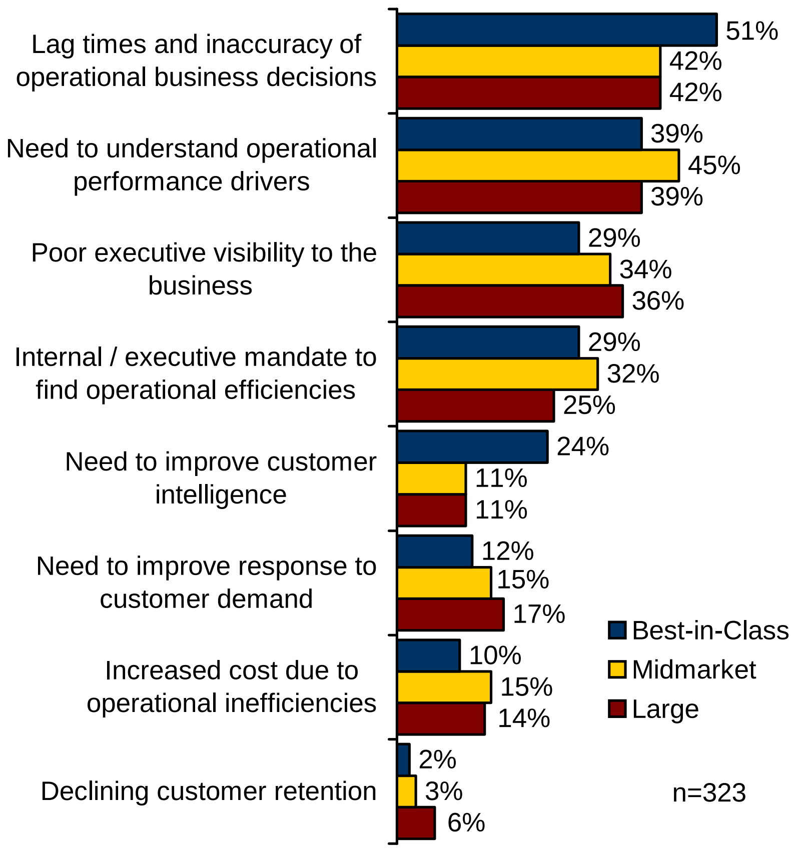
Figure 1: Midmarket Agility is an Advantage During the Recession



Source: Aberdeen Group, November 2009

Aberdeen Group measures respondent company performance across a diverse set of KPIs to define a benchmark by which respondents are classified. The top 20% of performers identified within this benchmark are called the Best-in-Class (see Table 1 for a detailed definition and analysis of the performance measurements). Based on this benchmark, Aberdeen has discovered that the business pressures leading companies to make investments and establish initiatives around performance management are different based on performance and company size (Figure 2).

Figure 2: Top Pressures for Midmarket and Large Enterprises



Source: Aberdeen Group, November 2009

Regardless of size, however, the top three pressures driving respondents to take action toward establishing and improving their performance management capabilities are constant:

- **Lag times and inaccuracy of operational business decisions**. The old adage "time is money" remains a truism in businesses today. Companies suffer when the lag time for determining operational performance is greater than the "decision-window" (the opportunity to affect performance based on taking or changing an action). The risk of not making timely decisions is exacerbated when the information that decisions are based on is wrong. Chapter Two of this report will delve into the data management requirements for increased speed and accuracy in greater detail.

- **Need to understand operational performance drivers**. This is the top pressure driving midmarket companies to launch performance management initiatives. Unlike strategic performance drivers (trend-based KPIs that change slowly over time), operational performance drivers are characterized by their immediacy. For example, the ability to respond to customer requests / demands is an operational capability that is measured using metrics such as "first call closure rate" or "customer response turn-around time." These performance metrics can roll-up to and be a leading indicator for strategic performance metrics such as overall customer satisfaction rates.
- **Poor executive visibility to the business**. This business pressure ranks a distant third among the top-performing Best-in-Class respondents, but is prioritized higher by large enterprise respondents. Aberdeen has found that larger organizations, despite their increased investment in BI and performance management technologies, are more likely to report insufficient visibility among executives. Interviews with respondents reveal that this is often caused by the top pressure identified - a lag time between actual business events and the ability for executives to receive information and performance-related analysis of the events in order to make timely, well-informed decisions.

Understanding how companies solve these business pressures starts with an explanation of how the Best-in-Class performance benchmark is established through Aberdeen Group's Maturity Class Framework.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. Performance is measured in a myriad of ways, and several financial performance metrics were considered in this research. While many businesses have different operating margins, revenue fluctuations, and cost scenarios, the ability to accurately forecast performance is a universal goal.

Therefore, forecast-to-plan ratio performance is the first metric used to define performance maturity. In the last year, Aberdeen has seen the rise of customer satisfaction as a critical performance metric due to the importance of customer loyalty in the context of dwindling new customer sales. Finally, revenue growth during the recession is a third indicator of a company's ability to achieve higher performance despite economic pressures (Table 1).

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Fax: 617 723 7897

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: **Top 20%** of aggregate performance scorers	▪ 89% forecast-to-plan ratio in the most recently completed fiscal period ▪ Current customer satisfaction rate of 93% ▪ 35% increase in year-over-year revenue performance
Industry Average: **Middle 50%** of aggregate performance scorers	▪ 58% forecast-to-plan ratio in the most recently completed fiscal period ▪ Current customer satisfaction rate of 83% ▪ 2% decrease in year-over-year revenue performance
Laggard: **Bottom 30%** of aggregate performance scorers	▪ Do not measure forecast-to-plan ratio in the most recently completed fiscal period ▪ Current customer satisfaction rate of 74% ▪ 15% decrease in year-over-year revenue performance

Source: Aberdeen Group, November 2009

The Best-in-Class PACE Model

Using performance management solutions to improve the achievement of corporate and operational goals requires a combination of strategic actions, organizational capabilities, and enabling technologies that can be summarized as follows in Table 2.

Table 2: The Best-in-Class PACE Framework

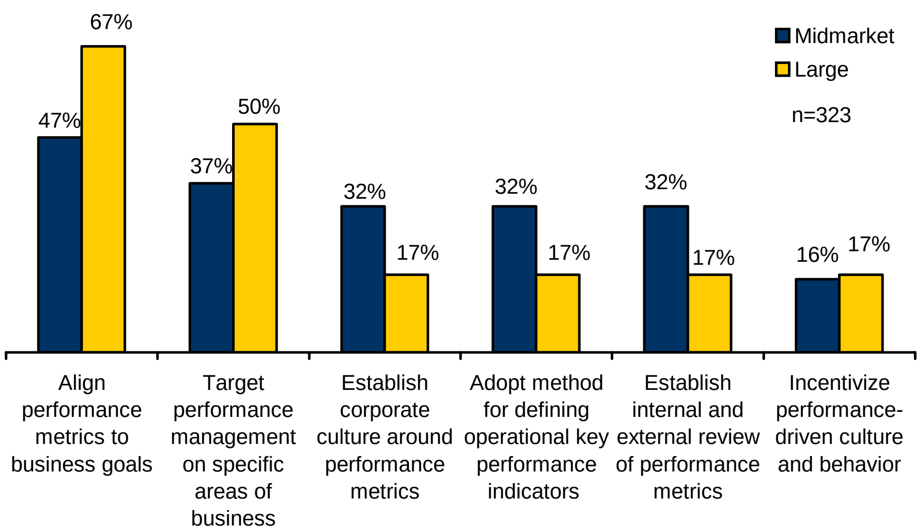
Top Pressure	Actions	Capabilities	Enablers
▪ Lag times and inaccuracy of operational business decisions	▪ Align performance metrics to business goals ▪ Establish corporate culture around understanding and using performance metrics ▪ Establish regular internal and external review of performance metrics	▪ Performance is measured against corporate and departmental goals ▪ Formal process for identifying operational performance metrics ▪ Performance data is made visible to line-of-business management and decision makers ▪ Identification of source data for use in performance management initiatives ▪ Regular communications in place to establish performance-driven culture	▪ Dashboards ▪ Balanced or discrete scorecards ▪ Budgeting, planning, and forecasting software ▪ Automated data cleansing and integration tools ▪ BI / Analytics platform or appliance ▪ Performance Management software platform or appliance ▪ IT Consulting services ▪ Automated alert technology ▪ Wikis, forums, portals, or web sites for central access / storage of KPI definitions

Source: Aberdeen Group, November 2009

Best-in-Class Strategies

Strategies adopted by the Best-in-Class varied significantly between midmarket and large organizations, as Figure 3 shows. Large companies are more likely to align performance metrics to business goals and to target performance management on specific areas of business than are the midmarket; however, midmarket Best-in-Class organizations are more likely to adopt a range of strategies to build their performance management initiative.

Figure 3: Strategic Actions of Best-in-Class Midmarket and Large Companies



Source: Aberdeen Group, November 2009

Midmarket enterprises realize that implementation of performance management software must be coupled with initiatives designed to incorporate performance management tools into the business. Midmarket enterprises are more likely than large companies to establish a corporate culture around performance evaluation; prior Aberdeen research across a variety of technological subjects has found that mere technological innovation seldom correlates to success without an attendant change in the organization's culture. To draw an illustrative example from daily life: not all those who own home gym equipment are physically fit. Achieving fitness requires a person to alter his or her own lifestyle - or "home culture" - to better promote physical well-being.

"Speed is essential but you need to have the right people in place driving the program, a structured set of processes to guide implementation and application, and supporting technology and relevant metrics that will focus you on the key drivers of your business."

~ Paul Newbourne,

LXP, a Lead Logistics Provider

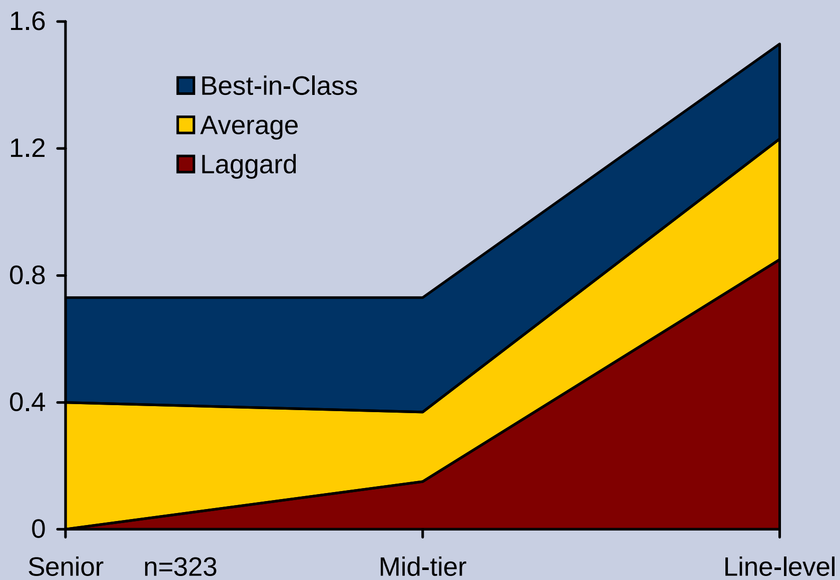
Midmarket enterprises are also more likely to possess a standard method for defining performance metrics, and to subject that method to regular internal and external review. The analogy between corporate strategy and physical exercise holds here as well: a culture that promotes physical well-being encourages people to exercise, but individuals must decide for themselves what level of performance constitutes physical fitness: Lower cholesterol? The ability to run a marathon? Dead-lift three hundred pounds? Or, break several boards with a single punch? Once a goal has been determined, regular review of that goal both internally (by the individual in question) and externally (by a physician or personal trainer) ensures that progress is being made, or that the goal in question is appropriate. A person attempting to reduce their heart rate or blood pressure, for example, might be better served by distance running than by heavy lifting.

Similarly, midmarket enterprises that establish methods for defining key performance indicators, and conduct regular reviews of these performance indicators, tend to perform better in the marketplace, as their performance metrics are tailored to their specific business needs, and updated as those needs change and shift.

Aberdeen Insights — Strategy

The ability to continually review performance metrics from both an internal and external perspective is viewed differently by senior managers versus mid-tier management and line-level job roles. Aberdeen research has revealed that senior management involvement and support is critical to driving performance improvement (Figure 4). Senior management involvement among Laggards is, in fact, non-existent.

Figure 4: Capability for Review of Performance Metrics by Management Level



Source: Aberdeen Group, November 2009

In the next chapter, we will see what the top performers are doing to achieve these gains.

Chapter Two: Benchmarking Requirements for Success

The selection of a performance management solution and integration with business intelligence and business process management systems plays a crucial role in the ability to turn these strategies into profit. The following case study illustrates how one midmarket company has experienced unexpected ROI from the adoption of new disciplines and capabilities enabled by technology.

Fast Facts

√ **63%** of Best-in-Class organizations have a formal process for incorporating operational performance metrics into day-to-day operations; only 47% of all others do this

√ **78%** of the Best-in-Class identify source data for use in performance management initiatives, as opposed to 64% of all other survey respondents

√ **78%** of the Best-in-Class conduct regular reviews of performance metrics, while only 65% of all other respondents do this

Case Study — Large US-based Travel Center Operator

This large US-based retail operator of travel centers provides nationally recognized fast food restaurants that remain open 24 hours, convenience stores, and many travel conveniences. The company sold billions of gallons of petroleum last year, and combined retail operations produced annual revenues of $16 billion in 2008.

Over the past several years, the company has experienced rapid growth driven by merger and acquisition activity, and a business plan that has included a business intelligence and performance management strategy designed to provide both strategic intelligence to corporate executives, as well as store-level intelligence for the travel center managers and line-level cashiers. The ongoing growth has resulted in the company managing over 1,200 reports within a disparate environment that included a tool for operational performance reporting, financial planning and budgeting, and a web-based portal for report publication and distribution.

The company's search for alternative approaches, which included several solution providers, made it obvious that the two top criteria were speed and information accuracy. The organization's corporate controller realized that an opportunity existed to deliver increased visibility for management down to the store level, while simultaneously improving corporate visibility into performance drivers.

"Every hour of store level management time equates to $1M to the bottom line in terms of manual versus automated reporting and analysis," said the controller. "Our under-stock and over-stock issues were a top priority for improved analytical capabilities. While gas and diesel fuel are low margin items, the convenience store items represent the highest margin, but ordering the products appropriately was a challenge. As a result of our move to a new performance management system, the time it takes to order has been reduced, and the accuracy of our ordering has improved. This represents a double-effect win. Sales have increased while inventory has reduced."

continued

Case Study — Large US-based Travel Center Operator

The company also began to analyze store-level data to determine what processes and activities were driving the highest customer cross-sell and up-sell performance. The BI supervisor explains the power of "truth in the data" that was revealed as a result of this project. "We asked our travel center managers to tell us who their top performing cashiers were so we could do some analysis on what they were doing differently and begin to develop some standard practices for training and on-boarding new employees. One of our managers was emphatic about the performance of a particular cashier. The cashier was well-regarded due to the ability to quickly scan and cash out a high number of customers while not really taking the time to engage the customer. In reality, when we looked at the data, we found that this was not the case. In fact, during the busiest times of day, the chatty cashier was performing at the top of the scale, as the cashier was engaging the customer and presenting them with up-sell opportunities. It turned out that the data debunked the popular myth. As a result the manager has started scheduling those cashiers that have the highest up-sell scores during the busiest times in the day so they can have the greatest effect on the business."

This performance is also being made visible directly to the employees. Performance data is handed out with the cashier's paycheck stubs. It allows the staff to see where they stand in comparison to their peers and it also enables managers to better schedule and set-up mentoring programs among top performers and laggard cashiers. Store-level managers are now able to dive-down into the data and see their performance. This is broken out into "day-part" analysis to identify the heavy-flow periods of the day and to optimize staffing in the restaurants and stores to handle the flow most efficiently. Same-store sales and performance analysis is also delivered so managers can see how they compare to other travel centers.

The BI Supervisor concludes, "We have been measuring the ROI of the BI investment, and it is currently at 116%. We have increased profitability by $3.4M in the first year and expect to do so every year going forward, while seeing a reduction in back room inventories by $2M."

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework - All Respondents

	Best-in-Class	Average	Laggards
Process	Formal process for incorporating operational performance metrics into day-to-day operations		
	62%	43%	36%
Organization	Continual internal and external review of operational performance metrics		
	78%	61%	60%
	Regular communications in place to establish performance-driven culture		
	67%	48%	40%
Knowledge	KPI repository in place to support consistent use and ongoing improvement of KPI metrics and calculations		
	53%	36%	28%
Technology	Identification of source data for use in performance management initiatives		
	78%	60%	60%
	Currently employ dedicated performance management software		
	46%	38%	38%
Performance	Role-based incentive program in place to drive performance to specific KPIs		
	56%	45%	32%

Source: Aberdeen Group, November 2009

"The process of accessing account data is something we need in real-time. As we enter data into our CRM system it is instantly updated on the server – now it is possible in a few minutes or hours to have the CEO and president, CFO, dept heads, country GM's, and the Board of Directors agree and approve decisions and revise budget and re-forecast assumptions."

~ Business Analyst, US-based Fortune 500 CPG Company

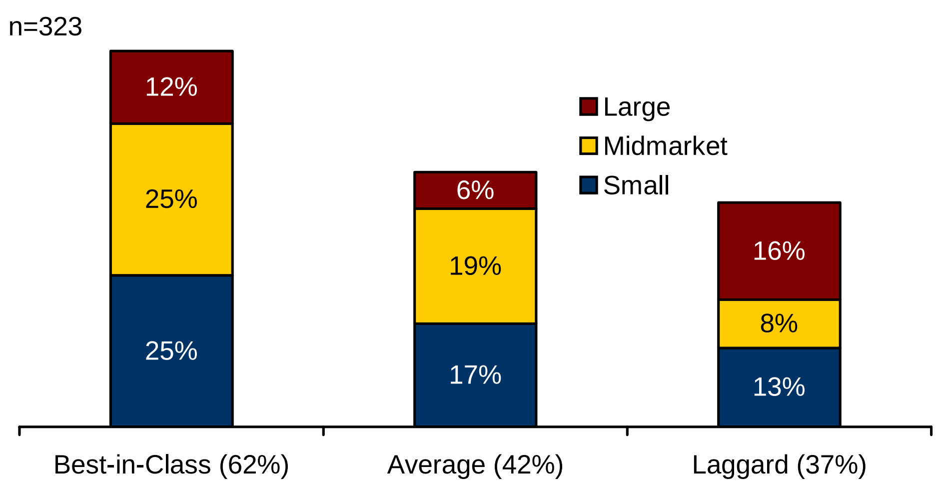
Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen's analysis of the Best-in-Class demonstrates that it is not the use of technology alone that leads to performance management excellence, but rather a combination of disciplines, practices, processes and the appropriate adoption of technology that yields top results.

Process Management

Performance management should not be thought of in terms of long-term, trend-based business metrics. Aberdeen's research has found that top performing companies are far more likely than others to incorporate operational performance metrics (i.e. measurement of day-to-day business performance KPIs) into their overall performance management strategy. In fact, midmarket and small companies are more likely to take this approach than larger companies (Figure 5).

Figure 5: Incorporating Operational Performance Metrics into Day-to-day Operations



Source: Aberdeen Group, November 2009

This is likely due to the sheer volume of operational business transactions that need to be measured within larger business when compared to smaller scale operations. Still, while this is a leading indicator of what drives Best-in-Class performance for midmarket and small companies, large companies that take this path are more than twice as likely as midmarket companies to see Laggard performance as a result.

Organizational Management

Aberdeen's analysis of whether or not companies conduct a continual organizational review of operational performance metrics is very revealing. Again, we find that large companies are simply not seeing the effect on performance that this approach has as compared to midmarket and small companies.

While small and midmarket respondents clearly show the correlation between continual review of operational KPIs and performance results, large enterprises seem to indicate the opposite effect (Figure 6).

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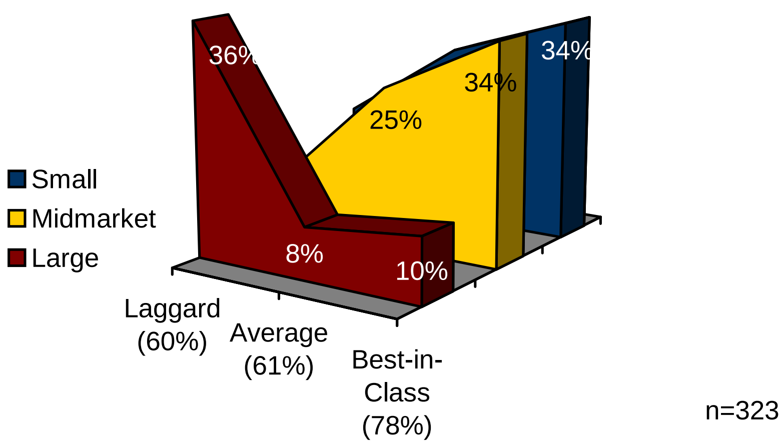
Figure 6: Continual Review of Operational Performance Metrics



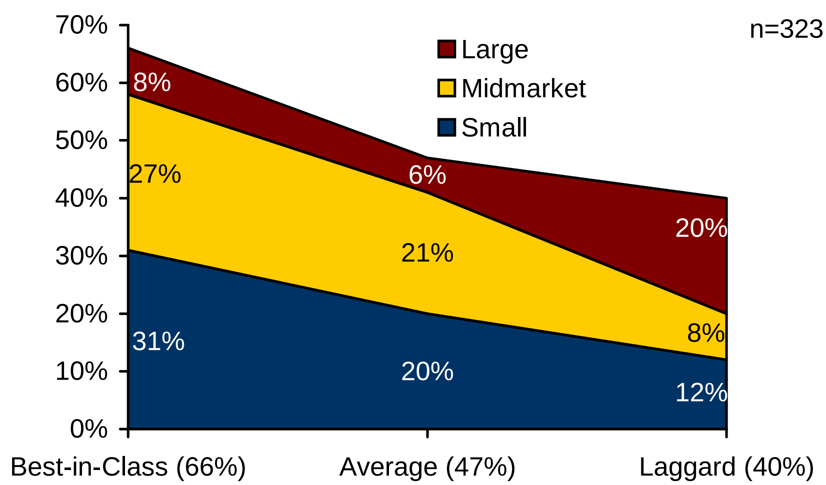
Source: Aberdeen Group, November 2009

However, as shown in Figure 5, far fewer large companies are incorporating operational performance metrics into their performance management initiatives. Therefore, A follows B… in order to see a performance uplift from continually reviewing operational metrics, the metrics need to be incorporated into the overall performance management strategy.

Knowledge Management

If incorporating and reviewing operational KPIs is a necessity, the Best-in-Class are also proving that capturing this knowledge is critical (Figure 7).

Figure 7: Best-in-Class Possess KPI Repository



Source: Aberdeen Group, November 2009

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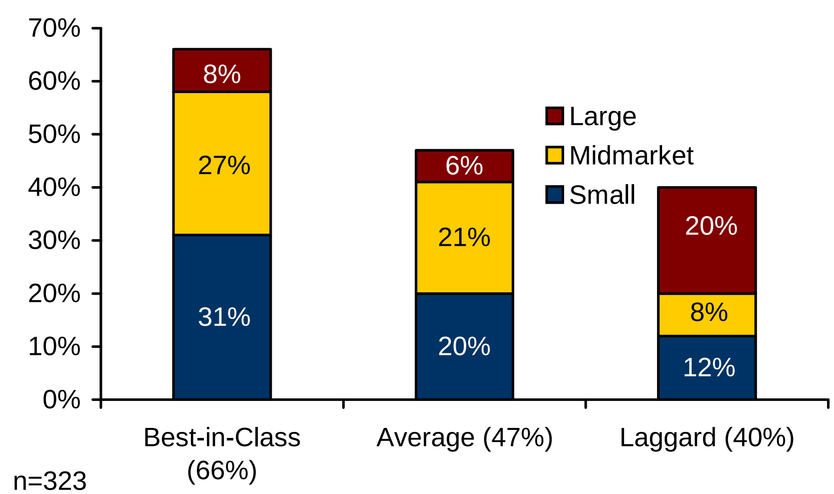
Surprisingly, Best-in-Class midmarket companies are also more likely to possess a repository for storing and sharing KPI information throughout the company. This involves the ability for business analysts to see the performance KPIs that have been used across the company, and re-use them or modify them easily. Overall, only 34% of large companies have this capability as compared to 56% of midmarket companies and 63% of small companies. Interviews with respondents revealed that it is, in fact, simpler for smaller companies to share information. Performance management strategies are often centralized due to the smaller organizational structure, and the centralized teams collaborate with far more efficiency. Performance management analysts and managers at large companies report that they are often unable to access the reports and views created by their peers in other operational units.

Technology Management

Aberdeen's research continually finds the identification of source data as a top stumbling block for companies seeking to establish a Business Intelligence (BI) or performance management initiative. During a fiscal period review process, or within an operational performance review meeting, senior executives often ask for metrics and analyses that send their business managers and teams scurrying to find the data that supports the desired answer.

Top-performing midmarket and small companies are far more likely to have identified the source data necessary to support performance management initiatives (Figure 8).

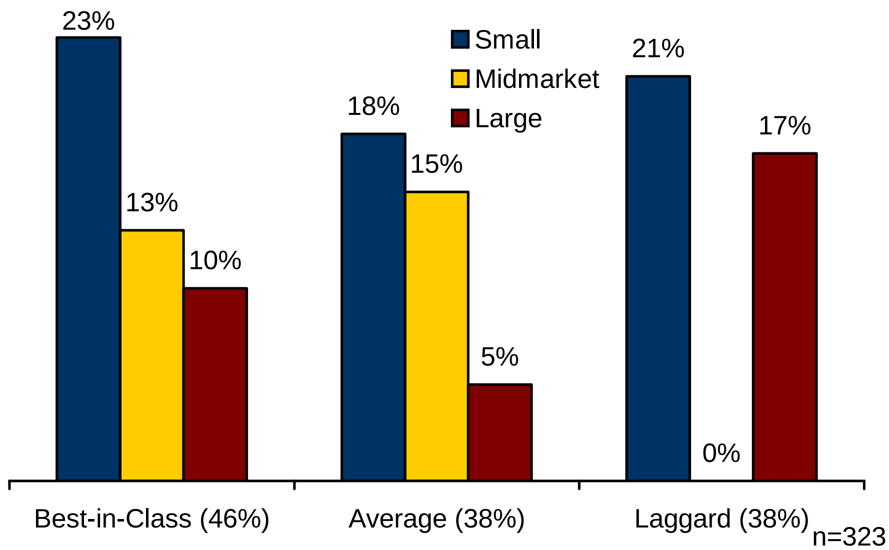
Figure 8: Identification of Source Data for Performance Management Initiatives



Source: Aberdeen Group, November 2009

The adoption of a dedicated performance management toolset reveals some very interesting results when viewed through a company size lens. Aberdeen's research has found that only 28% of midmarket companies have adopted a dedicated toolset, while 62% of small companies and 32% of large companies surveyed have done the same (Figure 9).

Figure 9: The Best-in-Class Employ Dedicated Performance Management Tools



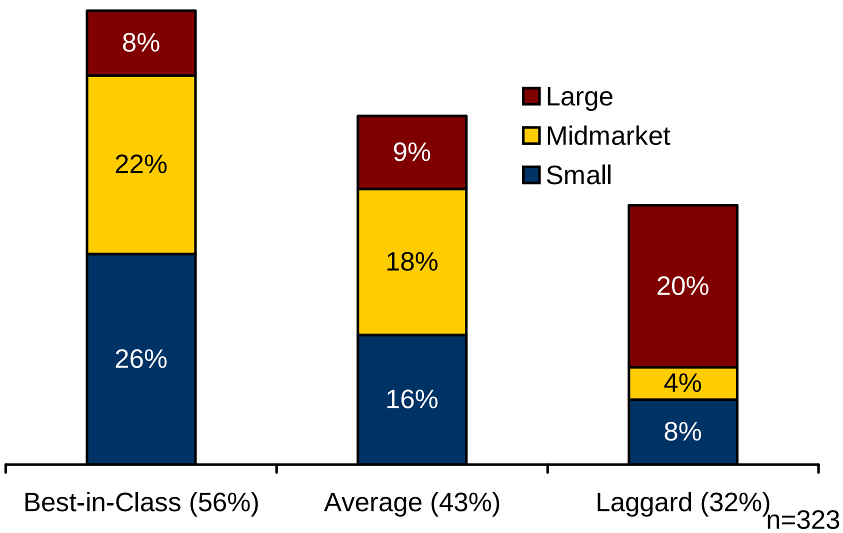
Source: Aberdeen Group, November 2009

Perhaps more revealing is the affect that this investment has had on performance. While a smaller percentage of midmarket respondents have adopted dedicated technology, all of them are seeing at least average if not Best-in-Class performance results. Meanwhile, adoption of the technology has not had as profound an affect on business performance for small and large companies. As discussed earlier, Aberdeen has found that midmarket companies have a stronger propensity to emphasize several management capabilities in combination with the adoption of technology. Indeed, the data quantitatively proves that it is not technology alone, but the proper management processes, organizational culture, and knowledgebase, in combination with technology enablement that drives a distinct performance advantage.

Performance Management

Finally, the adoption of technology, regardless of the processes, organization and knowledge in-place, cannot be effective unless there is proper incentive to use it. Specific KPIs based on job role must be made visible to the organization if a performance management program is to succeed. Dedicated performance management solutions enable businesses to correlate the performance of an individual or operating group to the attainment of specific business objectives. This capability is critical to the success of a performance management initiative (Figure 10).

Figure 10: Role-based Incentive Program Drives Performance



Source: Aberdeen Group, November 2009

Aberdeen Insights — Technology

Performance management is not a technology. It is a distinct set of processes, disciplines, organizational and cultural values, knowledge, and technology that result in a sum that is greater than its parts. Aberdeen research has shown that we can learn a great deal from top-performing midmarket companies that have achieved the perfect nexus between two extremes:

- Small company / small approach - a lack of resources to truly derive the value from an investment into a performance management initiative
- Large company / enterprise approach - extended and dispersed operations that do not allow the company to leverage and collaborate across diverse performance management initiatives

Chapter Three: Required Actions

Whether a company is trying to move its performance management capabilities from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary improvements:

Fast Facts

√ Best-in-Class companies achieved **35**% year-over-year improvement in revenue performance, while all other companies only increased their revenue performance by 11%

Laggard Steps to Success

- **Develop definitions for KPIs that drive achievement of performance goals, and a repository from which they can be shared.** Best-in-Class companies are nearly twice as likely to take this step as Laggard companies. Without the proper KPIs defined and a method for making them visible to the organization, it is difficult to track performance over time and focus actions on the operational areas that are affecting goal attainment.
- **Incorporate operational performance metrics into day-to-day operations of the business.** Often, performance management initiatives include only high-level strategic KPIs. While these are important, it is typically the underlying operational performance metrics that drive the attainment of higher-level strategic goals. Best-in-Class companies are 1.7-times more likely to take this step than Laggard performers.

Industry Average Steps to Success

- **Establish an organizational responsibility for continual internal and external review of performance metrics.** Is there someone accountable for making sure that KPIs are being measured and utilized? Does your organization involve itself in industry associations and forums to understand how competitors and peers are measuring performance? Best-in-Class companies are 28% more likely to take these actions compared to Industry Average performers.
- **Empower the organization through the development of a performance-driven culture.** Are the performance metrics accessible and visible to line-of-business management and line-level staff? Best-in-Class companies are 40% more likely to have this capability in place, and are 21% more likely to have dedicated tools in-place to enable enterprise-wide communications of performance data.
- **Identify source data for use in performance management applications.** Aberdeen research has continually found that companies struggle with the collection and integration of data required to calculate and deliver performance information to the enterprise. Best-in-Class companies are 30% more likely to have addressed this problem, and are 81% more likely to have invested in data integration and cleansing solutions than all other respondents combined.

Best-in-Class Steps to Success

- **Adopt dedicated performance management tools and platforms.** Although Best-in-Class companies are 21% more likely to have deployed dedicated performance management software than all other respondents, slightly less than half of top performers have taken this step. Aberdeen research and interviews with respondents has revealed that the use of spreadsheets is still a dominant technology enabler in companies of all maturity levels. Best-in-Class companies are organizationally more provisioned with capabilities that lend themselves to the adoption of dedicated performance management tools, and should evaluate solution providers' offerings, particularly those that are geared towards a given industry domain.
- **Establish a role-based incentive program that is tied directly to performance KPIs.** Fifty-six percent (56%) of Best-in-Class companies have already taken this step, and are 45% more likely to have done so versus all other respondents. Still nearly half of all Best-in-Class companies have not established this capability. Aberdeen research has found that companies that implement role-based KPI-driven incentive programs are more likely to achieve corporate financial and operational performance targets. In fact, those that have implemented an incentive program are currently performing at 92% actual-to-plan ratio, versus an average of 88% actual-to-plan ratio for those that do not.

Aberdeen Insights — Summary

Performance management initiatives start with an understanding of the business pressures that drive them. Information delivery lag times and the accuracy of that information are topmost in the minds of Best-in-Class performers. Compressing the time-to-information and the quality of the data requires that source information be identified, cleaned and integrated. Additionally, a continual process of monitoring both internal and external stakeholders and information is required to identify and define the appropriate KPIs on which performance can be measured. Finally, KPIs must roll-up to corporate goals, and be used as the measurement for attainment of role-based incentive programs. Aberdeen Group will continue to monitor the use and effectiveness of strategies and tactical implementations in order to report and analyze the ongoing evolution of performance management within companies of all sizes, industries and geographies.

Telephone: 617 854 5200
Fax: 617 723 7897

Appendix A: Research Methodology

Between September and October 2009, Aberdeen examined the use, the experiences, and the intentions of more than 336 enterprises using performance management in a diverse set of enterprises.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on performance management strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: CEO / President (15%); EVP / SVP / VP (15%); Director (16%); Manager (26%); Consultant (9%); Staff (8%); and other (3%).
- *Department / function:* The research sample included respondents from the following departments or functions: business development / sales (14%); corporate management (15%); information technology (19%); operations (9%); and finance / administration (7%)
- *Industry:* The research sample included respondents from a range of industries. Most prominently represented were IT consulting services (15%) and software (12%).
- *Geography:* The majority of respondents (53%) were from North America. The remaining respondents ranged in origin from Europe (23%) and Asia-Pacific (15%) to the Middle East and Africa (6%) and South / Central America and the Caribbean (3%)
- *Company size:* Thirteen percent (13%) of respondents were from large enterprises (annual revenues above US $1 billion); 34% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 53% of respondents were from small businesses (annual revenues of $50 million or less).
- *Headcount:* Twenty-eight percent (28%) of respondents were from large enterprises (headcount greater than 1,000 employees); 30% were from midsize enterprises (headcount between 100 and 999 employees); and 42% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

√ The degree to which performance management is deployed in their operations and the financial implications of the technology

√ The structure and effectiveness of existing performance management implementations

√ Current and planned use of performance management to aid operational and promotional activities

√ The benefits, if any, that have been derived from performance management initiatives

The study aimed to identify emerging best practices for performance management usage in the midmarket and to provide a framework by which readers could assess their own management capabilities.

Telephone: 617 854 5200
Fax: 617 723 7897

Table 4: The PACE Framework Key

Overview
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: **Pressures —** external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) **Actions —** the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **Enablers —** the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, November 2009

Table 5: The Competitive Framework Key

Overview	
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance: **Best-in-Class (20%) —** Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance. **Industry Average (50%) —** Practices that represent the average or norm, and result in average industry performance. **Laggards (30%) —** Practices that are significantly behind the average of the industry, and result in below average performance.	In the following categories: **Process —** What is the scope of process standardization? What is the efficiency and effectiveness of this process? **Organization —** How is your company currently organized to manage and optimize this particular process? **Knowledge —** What visibility do you have into key data and intelligence required to manage this process? **Technology —** What level of automation have you used to support this process? How is this automation integrated and aligned? **Performance —** What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, November 2009

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.

Source: Aberdeen Group, November 2009

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- *Executive Dashboards: The Key to Unlocking Double Digit Profit Growth*; May 2009
- *Moving Past Spreadsheets: What You Need to Know about BI Deployment Strategies*; April 2009
- *Managing the Total Cost of Ownership of BI: The Four Hidden Costs and How to Avoid Them*; April 2009
- *Operational Business Intelligence: What You Need to Know About Improving Your Customer-Facing Performance*; March 2009
- *From Data Discovery to Business Insight: Three Steps to Deriving Business Value Hidden in Your Data*; March 2008
- *Collaborative Business Intelligence: Three Steps Toward Superior Customer Responsiveness*; February 2009
- *Mobile Business Intelligence: A Path to Pervasive BI?*; December 2008
- *Increasing Retail Productivity: Enterprise-Wide Business Intelligence*; November 2008
- *Business Intelligence for the Small to Medium Sized Business (SMB)*; October 2008

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

Author(s): David Hatch, General Manager of Research Operations, (david.hatch@aberdeen.com)
Max Gladstone, Research Associate, Business Intelligence, (max.gladstone@aberdeen.com)